



Australian Leisure and Entertainment Property
Management Limited

ALE PROPERTY GROUP
ANNUAL GENERAL MEETING 2016
CHAIRMAN'S ADDRESS

Good morning and welcome to you all.

As the appointed time has arrived and as the necessary quorum is present, I declare this Annual General Meeting of the Australian Leisure and Entertainment Property Management Limited in conjunction with a meeting of Australian Leisure and Entertainment Property Trust properly constituted and open.

My name is Peter Warne and as chairman of the ALE Property Group, I welcome you to our 2016 Annual General Meeting.

Allow me to introduce to you the members of your Board of Directors, if you are not already acquainted with them:

- Andrew Wilkinson, CEO and Managing Director;
- Nancy Milne;
- James McNally;
- Pippa Downes;
- Paul Say; and
- Michael Clarke, our recently appointed Company Secretary.

Some of our management team are also with us today and I would like to introduce Mr Andrew Slade our Capital Manager and Don Shipway our Asset Manager.

Also with us today are both Mr Graeme MacLaren an independent director on the Board of ALE's financing vehicle, ALE Finance Company Pty Limited which is a wholly owned subsidiary of the ALE Property Group and Mr David Lawler the independent member of the Audit, Compliance and Risk Management Committee.

The Board and Management look forward to meeting with shareholders at the conclusion of the meeting.

The proceedings today will be as follows.

I will make a brief introductory address after which our Managing Director, Andrew Wilkinson, will provide his report on the operations of ALE during FY16 and our immediate outlook.

We will then move to the matters for decision by Securityholders as set out in the Notice of Meeting.

Before reviewing ALE's performance in FY16, I have a request to make of shareholders present.

I ask shareholders to ensure that, with the exception of Resolution 4, they vote all the shares they hold, either directly or by proxy, in favour of all Resolutions the Board will put to the meeting today.

Your Board believes the recommendations for the Resolutions put to the meeting today are in the best interests of ALE securityholders and those recommendations are all unanimously supported by all Directors.

As you are aware the agenda of today's meeting sets out three resolutions plus a fourth conditional resolution to be put to the meeting in that event that Resolution 2, the vote

on the Remuneration Report, is not passed by at least 75%. For your information I have been advised that it is expected that the vote on the Remuneration Report will pass by the required 75% and thus I anticipate that Resolution 4, will not be put to the meeting. I expect to confirm that outcome once the voting on the first three Resolutions is completed.

The Board of ALE greatly values the support securityholders have shown over previous meetings and particularly so this year.

Market

I will now turn to a general overview of the markets most relevant to ALE. The global economic conditions remained subdued during the year with some significant differences in growth between different regional economies. Australian long term government bond rates continued their falls

during the year with the 10 year government bond rate falling from 3.01% at 30 June 2015 to 2.00% at 30 June 2016. Over the same period the ASX AREIT index rose by around 25% and the ALE security price rose from \$3.69 to \$4.55.

In recent months as the world has become more a little more optimistic and moved into a more “risk on” phase, bond rates have moved higher with the 10 year rate now around 2.25%. However, bond yields still remain well below long term historical levels.

As bond yields have risen the prices of most AREITs have fallen with the ASX AREIT index falling by around 9%. The ALE security price over recent months has actually been quite resilient, actually increasing from \$4.55 to \$4.62 since 30 June 2016.

In the commercial property markets we have noted, after a number of years of elevated activity, the more recent

levels of transactions trending lower as existing owners elect to retain what remains as an investment class in high demand. These conditions are consistent with the increasing valuation of ALE's properties.

Credit market pricing or margins moved wider in early calendar 2016 but have since retraced to more competitive levels and a healthy level of issuance activity currently prevails in the Australian Corporate Bond and banking markets.

ALE's Strategic Priorities

ALE's first thirteen years have been characterised by clear and consistent strategic priorities that the Board has kept under continual review. These priorities will remain our focus going forward.

I have outlined ALE's priorities at previous Annual Meetings but they bear repetition as they all contribute to the achievement of our over-riding objective which is to maximise Securityholder value.

Our priorities are to:

- Deliver predictable and growing distributions;
- Review our portfolio to ensure properties are well-maintained and, to the extent we are able, ensure value is maintained or enhanced;
- Maintain our costs below those of our peers;
- Ensure a sustainable capital management position with an efficient and cost effective debt structure;
- Tightly manage risk to preserve value for all stapled security holders;
- Undertake property acquisitions or divestments where value accretive to do so; and
- Adopt and execute best practice in all regulatory and compliance matters to ensure all our obligations under

the law, ASX rules and regulatory and property lease obligations are met.

ALE's Results

I will now make some brief comments on ALE's results.

There were a number of highlights for ALE during the year to June 2016. First, the assessed value of the properties increased by 10% to around \$1 billion. There was also a 19% increase in distributions to 20 cents per security.

Importantly, the distributions were 100% tax deferred.

ALE's triple net leased properties recorded rental income of \$56.6 million and the Group delivered a distributable profit of \$29.6 million for the year.

Following independent assessments, the average capitalisation rate on ALE's properties reduced to 5.53% at 30 June 2016 from 5.99% 12 months earlier. The reduction was relatively modest when compared to the

reduction in Australian long term government bond rates during the year. The valuations are now starting to reflect the prospects for future market rent reviews in 2018 and 2028, albeit still to a limited extent.

ALH, as the tenant at each of the properties, continues to perform strongly and has again this year committed development expenditure across the portfolio. ALE continues to work constructively with ALH to further protect and enhance the value of ALE's portfolio and ALH's business.

ALE's Capital Structure

Turning now to ALE's capital structure.

ALE's capital structure remains sound. This was evidenced by a steady reduction in gearing and the maintenance of an investment grade credit rating. Gearing is now at an historic low of less than 45%.

ALE's next debt maturity of \$110 million will occur in August 2017. ALE is already prepared for this refinancing with a range of options available to it. Key debt market participants have continued to provide ALE with positive encouragement to issue in both the domestic and offshore capital markets.

ALE's debt maturities are spread across the next seven years and the interest rate hedging was extended during FY16 to around nine years.

The Group's market capitalisation increased by around 23% to \$891 million and ALE's total returns continued to outperform the AREIT index this year by a material margin.

Indicative Proposal Withdrawn

I will now make some brief remarks regarding the proposal received from Caledonia last year.

As advised at last year's Annual General Meeting, in October 2015 ALE received an unsolicited, indicative, incomplete and non-binding Proposal from Caledonia (Private) Investments Pty Ltd to acquire up to 100% of ALE's stapled securities at a price of \$3.95 per security.

ALE advised Caledonia that it did not consider the Proposal was in the best interests of all securityholders and that it would not progress it. Caledonia withdrew its Proposal in November 2015 and discussions with ALE's Board in relation to the Proposal ceased.

I would note that Caledonia remains ALE's largest securityholder and has made additional on-market purchases during the past year. In its latest substantial shareholder notice issued on 8 September, 2016 Caledonia announced it held 28.5% of ALE's securities on issue.

The Board and management of ALE continue to meet with the Caledonia investment team regularly, as we do with

other institutional shareholders to keep them informed, to hear their views and take on board their comments. We continue to maintain an open, professional and amicable relationship.

Corporate Governance

In line with current corporate governance practice your Board has, through its Nominations Committee, continued to execute a plan, by which new directors are identified, selected and appointed to your Board as existing directors retire. This is an important part of the process of Board renewal.

We will continue to look for opportunities to appoint new directors in order to facilitate Board renewal and maintain an appropriate amount of experience and institutional knowledge on the Board at all times.

Over the past three years ALE has appointed Pippa Downes, Paul Say and Nancy Milne to the Board.

As you are aware, last year I announced my intention to retire from the Board. As you know I have been Chairman since the Group's inception and ASX listing. Over recent months we have been engaged in a search for a new Chairman. We have considered a range of high quality candidates and I am optimistic that we will be able to announce the appointment of a new independent director to the Board in the near future with the expectation they will assume the role of Chairman during the first half of 2017.

Michael Clarke replaced Brendan Howell as Company Secretary from 30 June 2016. After nearly 13 years of loyal service we wish Brendan well and thank him for his contribution. Michael has over 30 years of financial

experience and has been ALE's Finance Manager for the past 10 years.

In keeping with best practice and our policy a Board performance review will be carried out later this year by an independent consultant.

As we had done in prior years, in 2016 the Board undertook a two day trip to inspect and meet the management of a number of our properties in both Melbourne and Adelaide. As part of this trip we also received presentations on the outlook for development opportunities across a small number of our properties.

The Board finds these visits extremely useful and witness first hand where our tenant's capital expenditure dollars have gone and what has been achieved in improving and upgrading the various premises and the services they offer.

ALE has a small, dedicated and effective management team which works effectively with the board to implement ALE's consistent, long term strategy. On behalf of the Board, I extend my thanks to the management team for their dedication and commitment in the past year.

I would also like to again express thanks to David Lawler, the independent member of the Audit, Compliance and Risk Management Committee, and Graeme MacLaren, the independent director for our financing subsidiary, for the skill, experience, independence and diligence they each bring to their roles.

ALE's Outlook

The outlook for the 2018 and 2028 rent reviews remains positive given the increase in ALH's operating profitability across a large number of ALE's properties.

As previously advised, following consultation with a large number of securityholders, ALE increased the level of distributions during FY16 to 20 cents per security with the objective of maintaining the level of gearing over time. Accordingly, it is expected that the level of distributions in future years will be maintained and continue to grow at least in line with increases in the CPI. Also previously announced it is the Board's intention to consider additional distributions following the conclusion of the 2018 rent review.

This guidance assumes that the existing property holdings, hedging and capital structure remains unchanged and will, of course, be reviewed regularly in light of the then prevailing circumstances.

Closing Remarks

In closing, may I again thank my fellow members of ALE's Board, Andrew and all his management team for their dedication and hard work.

I would also like to thank you, our Securityholders, for your continuing support this past year and throughout our thirteen years as a listed entity. Your long standing support for ALE is important and very much valued by the Board.

Peter Warne

Chairman

25 October 2016